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TAGS: [ECON](#) [ENRG](#) [PREL](#) [PGOV](#) [PHUM](#) [PINR](#) [XL](#)
SUBJECT: PETROCARIBE #33: CHAVEZ TIES WORRY ST. VINCENT
PRIVATE SECTOR

REF: A. BRIDGETOWN 286
[1](#)B. BRIDGETOWN 228

Classified By: Amb. Mary M. Ourisman for reasons 1.4 (b) and (d).

[1](#)1. (C) Summary: Recent discussions with St. Vincent and the Grenadines' (SVG) private sector representatives reveal widespread anxiety over the Vincentian government's growing ties with Venezuela, especially the close relationship between Vincentian Prime Minister Ralph Gonsalves and Venezuelan President Hugo Chavez. Business representatives agreed that if Gonsalves were to back his socialist rhetoric with action, the country would probably face investment flight and a threat to its tourism industry. While Gonsalves' relationship with Chavez has yielded many tangible benefits for St. Vincent, he is likely to steer clear of any steps that would seriously undermine the country's already precarious economic position. End Summary.

Texaco: No Tears Shed

[1](#)2. (C) Texaco appears to be the company with the most to lose from Gonsalves' embrace of Chavez. As reported in ref B, Gonsalves is unlikely to renew the St. Vincent government's (GOSVG) contract with Texaco to supply fuel to the island. Poor relations between Gonsalves and Texaco representatives, combined with widespread popular support for perceived Petrocaribe benefits would most likely be the impetus for the contract's termination. EconOff met with Texaco's St. Vincent Country Manager, Brian John, who appeared certain that his company had little chance of obtaining a contract renewal from Gonsalves' government. Faced with the possibility of no longer being St. Vincent's main supplier, and perhaps losing his own job, John was surprisingly dispassionate about the situation and unwilling to criticize Chavez or Petrocaribe. John told EconOff that he expects Venezuela would have no problems supplying 100 percent of SVG's fuel: "It does not take a rocket scientist to figure out how to do this. Venezuela has made a few mistakes but has learned from them and will probably have no problems in the future."

[1](#)3. (C) Note: In the past, Texaco denied EconOff direct access to local staff in Antigua and Barbuda and St. Kitts

and Nevis, unless Texaco's regional director based in Puerto Rico was present. It is unclear why Texaco has taken a guarded approach with Embassy Bridgetown, but the company may prefer to keep its distance from U.S. government officials because of possible future negotiations with Venezuela on fuel storage agreements in Caribbean countries where Texaco owns and operates such facilities. End Note.

SVG Chamber of Commerce: Unimpressed, but Still Vigilant

14. (C) According to the President of St. Vincent's Chamber of Commerce, Lennox Lampkin, the private sector was unhappy with Chavez's virulent, anti-U.S. outbursts during his visit to the island in February. Lampkin suggested that St. Vincent's relationship with the United States is very important and should not be tested in such a dramatic and public fashion. Lampkin also noted that the GOSVG's pro-Venezuela stance could threaten a key pillar of the country's economy: tourism. Lampkin clarified, "The majority of cruise ships do not have Venezuelans and Cubans, but rather Americans and British. At the end of the day," he added, "Venezuela can construct a new airport, but the majority of those flying to St. Vincent with money in their pockets will not be Venezuelan."

15. (C) Lampkin spent the last 35 years in the Netherlands and returned to St. Vincent with ambitious ideas to contribute to his country's economic development. He sees Petrocaribe as a cosmetic, short-term solution that will not help in this effort. Lampkin firmly believes that investing in alternative energy is not only a good idea, but also necessary to diversify the country's energy mix and reduce the consequences of 100-percent reliance on a single source,

Venezuela, to meet the country's energy needs. According to Lampkin, 25-35 percent of an average worker's salary goes toward the electricity bill. Lampkin is seeking potential investors for alternative energy projects in St. Vincent. "The hotel industry," said Lampkin, "has already expressed keen interest in solarizing their businesses."

Eastern Caribbean Group of Companies: I Tried to Tell Him

16. (C) EconOff met with the President of the Eastern Caribbean Group of Companies, Julian Ferdinand, who also sits on the Trade Negotiating Team for the Organization of Eastern Caribbean States (OECS) as the lead representative of the private sector. Ferdinand is well-known in the private sector for his discipline, professionalism and diplomacy, which have earned him occasional access to PM Gonsalves. Recently, Ferdinand used such an opportunity to warn Gonsalves of the private sector's uneasiness with his tight embrace of Chavez. Ferdinand cautioned Gonsalves that the country cannot afford investment flight and encouraged him to remain committed to promoting a market-based economy and the country's private sector. Despite his good relationship with Gonsalves, Ferdinand would not speculate on whether Gonsalves would heed his advice.

All in the Family

17. (C) EconOff also met with one of St. Vincent's most successful businessmen, Ken Boyea. Boyea is also Gonsalves' first cousin and former confidant, but their relationship soured when Boyea ran against Gonsalves for the PM job in 2001. (Note: Boyea's brother, Cally Boyea, is Exxon/Mobil Country Manager in Barbados. Their sister, Ann Boyea, is very active with the opposition party in St. Vincent. The Boyea family is well-known and influential in St. Vincent's public and private circles. End Note.) Ken Boyea remains one of the most outspoken critics, at least in private, of Gonsalves and his left-leaning tendencies. Boyea's major concern is the possibility of Gonsalves' adoption of socialist-style economic policies at the expense of efficiency and sustainability. Boyea, like Ferdinand, has

observed rising private sector anxiety in reaction to Chavez's increasing economic influence over the country.

Popularity Goes a Long Way

¶8. (C) KPMG Partner (and former Chamber of Commerce President) in St. Vincent, Brian Glasgow, conveyed similar private sector concerns in his conversation with EconOff. However, Glasgow recognized the political appeal of Gonsalves' social programs with his low-income constituency. He pointed to the "tangible services" provided by Venezuela and Cuba, such as medical assistance, fuel price stabilization, scholarships, and low-interest mortgages. According to Glasgow, these benefits are significant to both those who cannot regularly afford them and to Gonsalves, who gets credit for them from the electorate. Glasgow was careful to reserve judgment on Petrocaribe because of his company's contracts with the GOSVG, and admitted that he had to be cautious because of Gonsalves' history of terminating contracts with organizations and/or people that oppose his political views.

COMMENT

¶9. (C) On February 17, Hugo Chavez called on all Vincentians to forge a "sea of resistance against U.S. imperialism." The only resistance, however, seems to be coming from the private sector, and it is aimed at Gonsalves and Hugo Chavez. The private sector is clearly jittery about possible repercussions of Chavez's influence, especially if foreign investors begin viewing Gonsalves as a Chavez acolyte intent on launching his own socialist revolution. The extent to which St. Vincent's private sector is actually threatened by this new relationship, however, remains unclear. In

Ambassador Ourisman's meeting with Gonsalves on February 26 (ref A), the PM sought to assure her that the CARICOM Single Market and Economy (CSME), as well as other trade arrangements, are priorities for the Eastern Caribbean that will not be affected by his own relationship with Chavez.

¶10. (C) Gonsalves will probably continue to try to have things both ways: posturing with Chavez while assuring the United States that he remains a reliable partner. Gonsalves is also savvy enough to realize that no amount of Venezuelan aid could replace the potential losses in foreign investment and tourism revenue, if he were to shift further left in his economic policies. He will therefore likely channel his pro-Bolivarian energy toward specific regional integration issues that allow him to be perceived as CARICOM's guardian of the common man, such as labor protection, on which he has been vocal in the past, or other issues, such as reparations for the trans-Atlantic slave trade, that help him acquire the attention and popularity he craves in the region.

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